



REINVESTMENT
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Overview of Home Equity Conversion Mortgages Originated in the City of Baltimore

Housing Instability of Older Adult Renters and Homeowners

Maryland Philanthropy Network

Baltimore Seniors and Housing Collaborative, Community Development Network of MD,
and MD Consumer Rights Coalition

October, 2020

About Reinvestment Fund

- Reinvestment Fund is a national mission-driven financial institution that creates opportunity for underserved people and places through partnerships. We marshal the capital, analytics, and expertise necessary to build strong, healthy, and more equitable communities.
- Since 1985, Reinvestment Fund has made **\$2.4 billion** in cumulative investments and loans.
- We are supported by over **830 investors** that include individuals, foundations, religious institutions, financial institutions, civic organizations and government.

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RATINGS SERVICES

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A+

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★★★★ AAA
POLICY PLUS

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Introduction

The Baltimore City HECM research and analysis were funded by the Abell Foundation.

<https://abell.org/publications/hecm-activity-baltimore-md-2010-2020>

The Philadelphia homeowner interviews were part of a project funded by the City of Philadelphia.

<https://www.reinvestment.com/research-publications/reverse-mortgages-philadelphia-lending-patterns-foreclosures-homeowner-experiences/>

What is a Home Equity Conversion Mortgage?

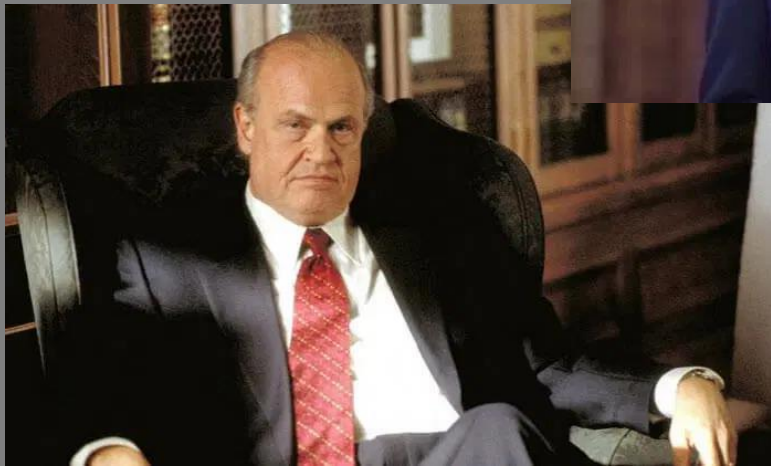
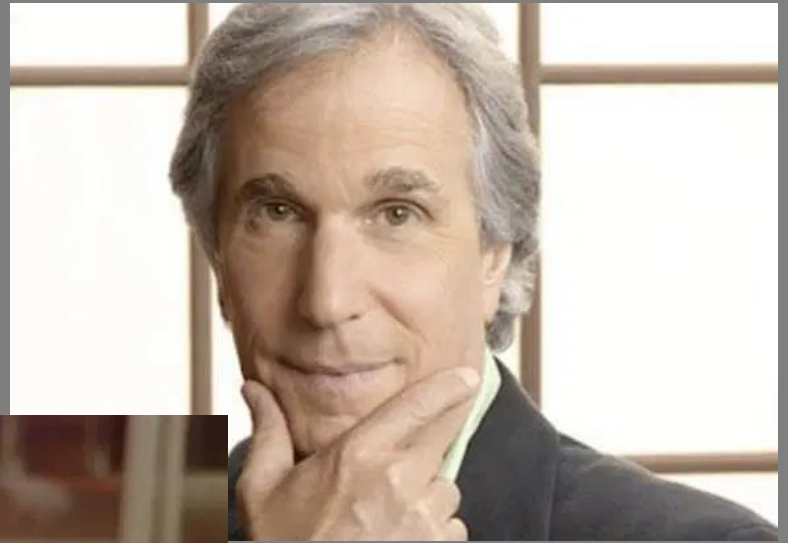
- Home Equity Conversion Mortgages (HECMs) are loans to older homeowners (62+ years of age) that are insured by the Federal Housing Administration (FHA).
 - HECMs are the most common, although not the only form of Reverse Mortgages.
- They convert the equity in the home to cash while maintaining the ability to live in your home.
- HECMs can also be used to pay off an existing mortgage so that an older homeowner is not responsible for monthly mortgage payments at a time, for example, when they may be contemplating retirement or some other reduction in income.

What is a Home Equity Conversion Mortgage?

- The amount of money that a HECM can yield a homeowner is a function of several factors (referred to as Principal Limit Factors). Among those factors are the ***age of the homeowner, current interest rates, the value of the home, and fees associated with the loan***. And in late 2016, HUD added a provision to its rules that requires the lender to ensure that the homeowner has the ***financial capability to meet their ongoing financial obligations***—including maintaining their home and paying property taxes and insurance.
- HECMs are a very complex mortgage product and HUD requires borrowers to get counseling from a HUD-approved agency prior to closing on their HECM.

Helpful HECM Video from the CFPB:

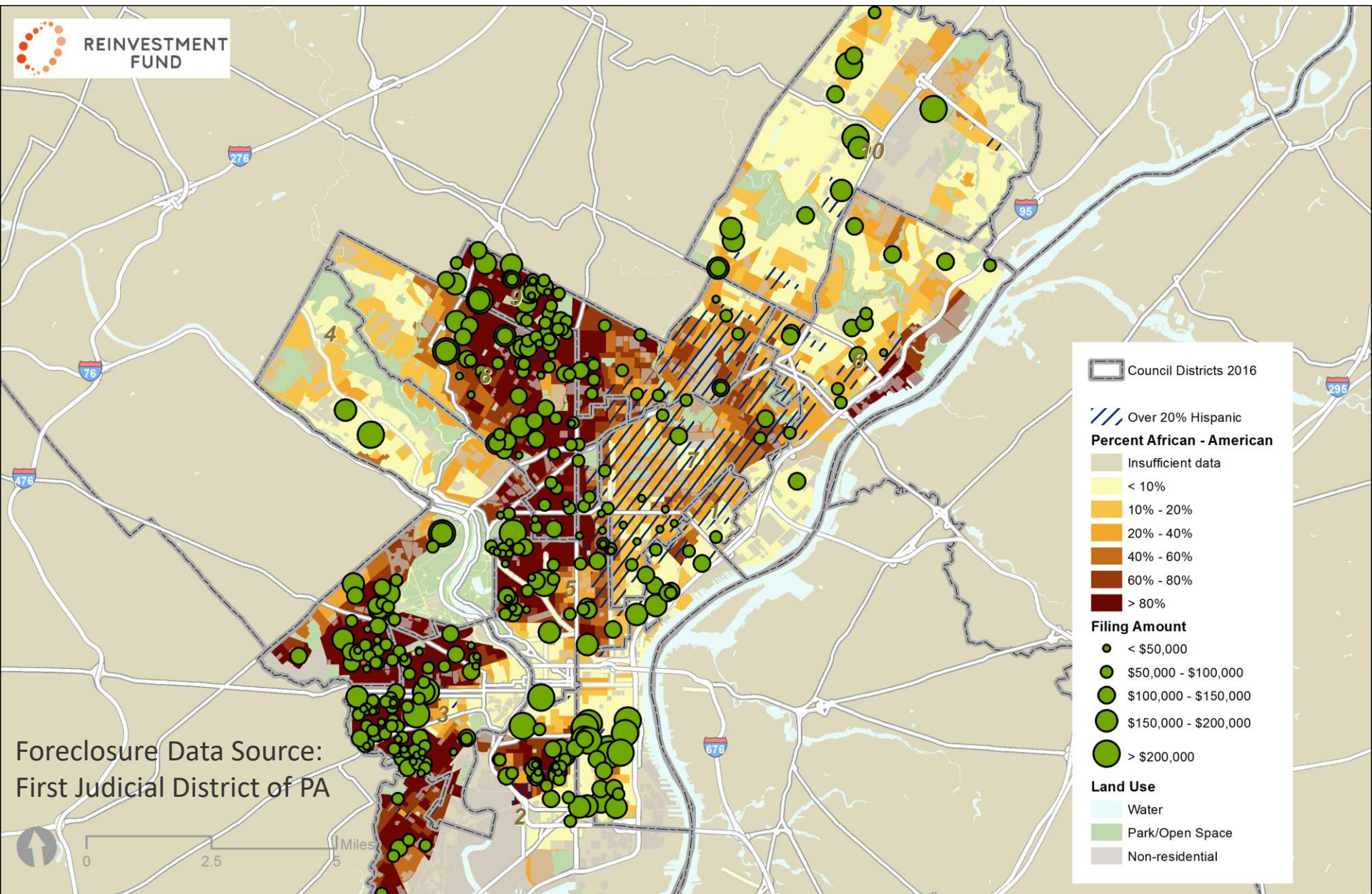
<https://youtu.be/L89d3faoFGw>



Source: <https://reverse.mortgage/5-memorable-spokesmen>

What Prompted Us To Study HECMs?

Locations and Amounts of Reverse Mortgages In Foreclosure; Philadelphia, 2012 - 2015



What Did We Learn In Philadelphia From Borrowers Who Went to Foreclosure?

- For most of our interviewees, the home was their only asset. Many of those homeowners did own their homes free-and-clear.
- They were feeling insecure as a result of either a health or financial issue.
- They were on fixed incomes.*
- Interviewees were persuaded by the ads they saw on TV.
- Those selling mortgages were sometimes matched to the race of the homeowner.

“They sent an older African-American gentleman to say, ‘I understand what you’re going through so I’m here to help you.’”

- Loan amounts were inflated beyond the real value of homes.

* Note that financial experts suggest that reverse mortgages are best used as ***part of a diverse retirement portfolio*** that includes financial assets beyond the home.

What Did We Learn In Philadelphia From Borrowers Who Went to Foreclosure?

- Several of our interviewees came to their HECM through a home improvement contractor who arranged the financing.
 - Typically, the homeowners were neither satisfied with the work, the price and/or the mortgage.
- Interviewees reported ongoing problems with the mortgage servicers.
- Most interviewees had almost no recollection of their pre-closing HECM counseling.
- Once in foreclosure, homeowners reported satisfaction with their housing counselor and/or legal services attorneys.

HECM Lending in Baltimore

HECM Volume Up Nationally in 2020; Mid-Atlantic Declined

- DSNews - <https://dsnews.com> -

HECM Volume Up 37.5% in 2020

Posted By *Phil Hall* On January 11, 2021 @ 10:07 am In Daily Dose,Featured,Headlines,Market Studies,News | [Comments Disabled](#)



Home Equity Conversion Mortgage (HECM) endorsements were up 15.1% year-over-year in December to 4,097 loans, according to new data from [Reverse Market Insight](#) ^[1]. For calendar year 2020, HECM volume recorded an annualized increase of 37.5% to 44,661 loans.

Eight of the 10 regions tracked by RMI recorded strong growth during December, led by New England's 59.5% upswing to 118 loans, the Rocky Mountain region's 28.9% rise and the Northwest/Alaska region's 18.7% increase. Only the Mid-Atlantic region registered a decline, albeit with only 11 fewer loans originated in December compared to November, while the Great Plains region was unchanged in its volume month-over-month.

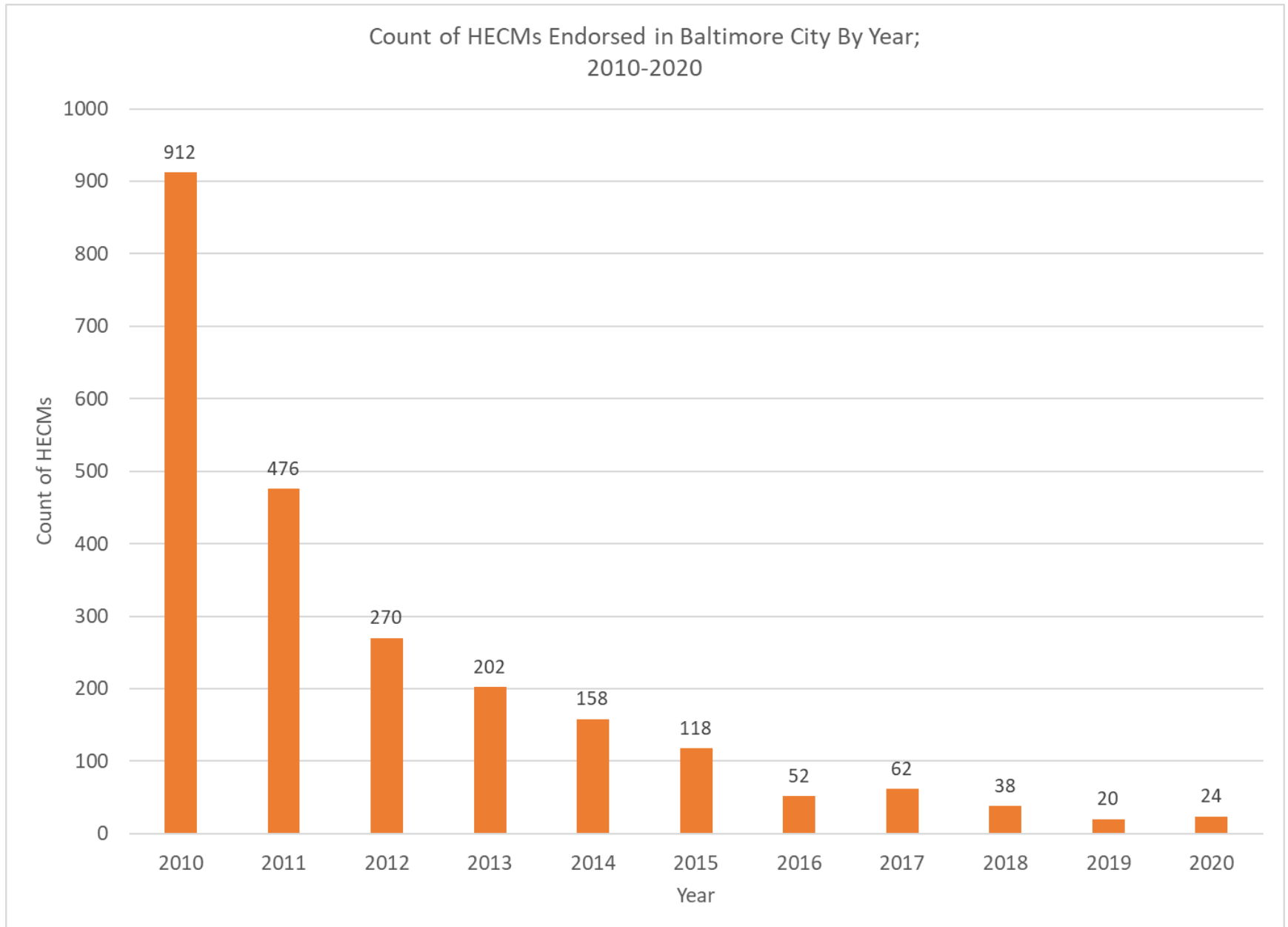
American Advisors Group (AAG) led the industry in origination volume, with 14,434 loans originated in 2020. However, this represented a slight 1% year-over-year decline in origination volume. Finance of America Reverse LLC (FAR) placed second with 4,109 loans, barely inching out third-place Reverse Mortgage Funding LLC (RMF) with 4,108 loans—both companies recorded 19% year-over-year volume gains.

Looking back on 2020, RMI noted the reverse mortgage industry ended the year less than 5% changed from the monthly volume generated in January. The coronavirus pandemic had its greatest impact on HECMs in April with only 1,601 loans endorsed, a staggering 59% decline, although May experienced a vibrant rebound with a 215% gain in originations from April.

Separately, data compiled by [New View Advisors](#) ^[2] determined that HECM-backed securities (HMBS) issuances reached \$1.2 billion for December and ended 2020 at \$10.6 billion in total issuance. The record level for these issuances is the \$10.8 billion mark set in 2018.

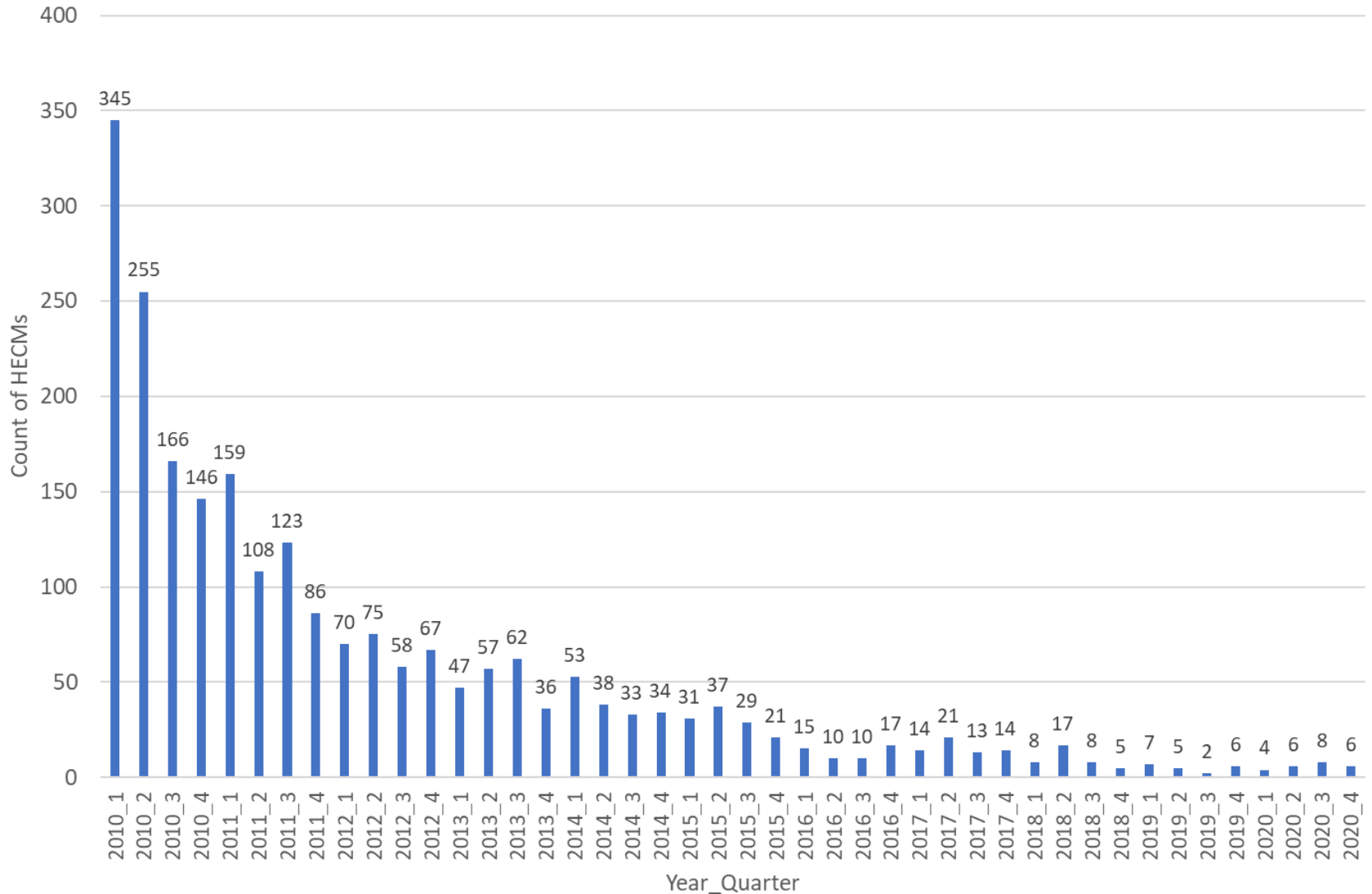


HECM Volume In Baltimore City, 2010-2020

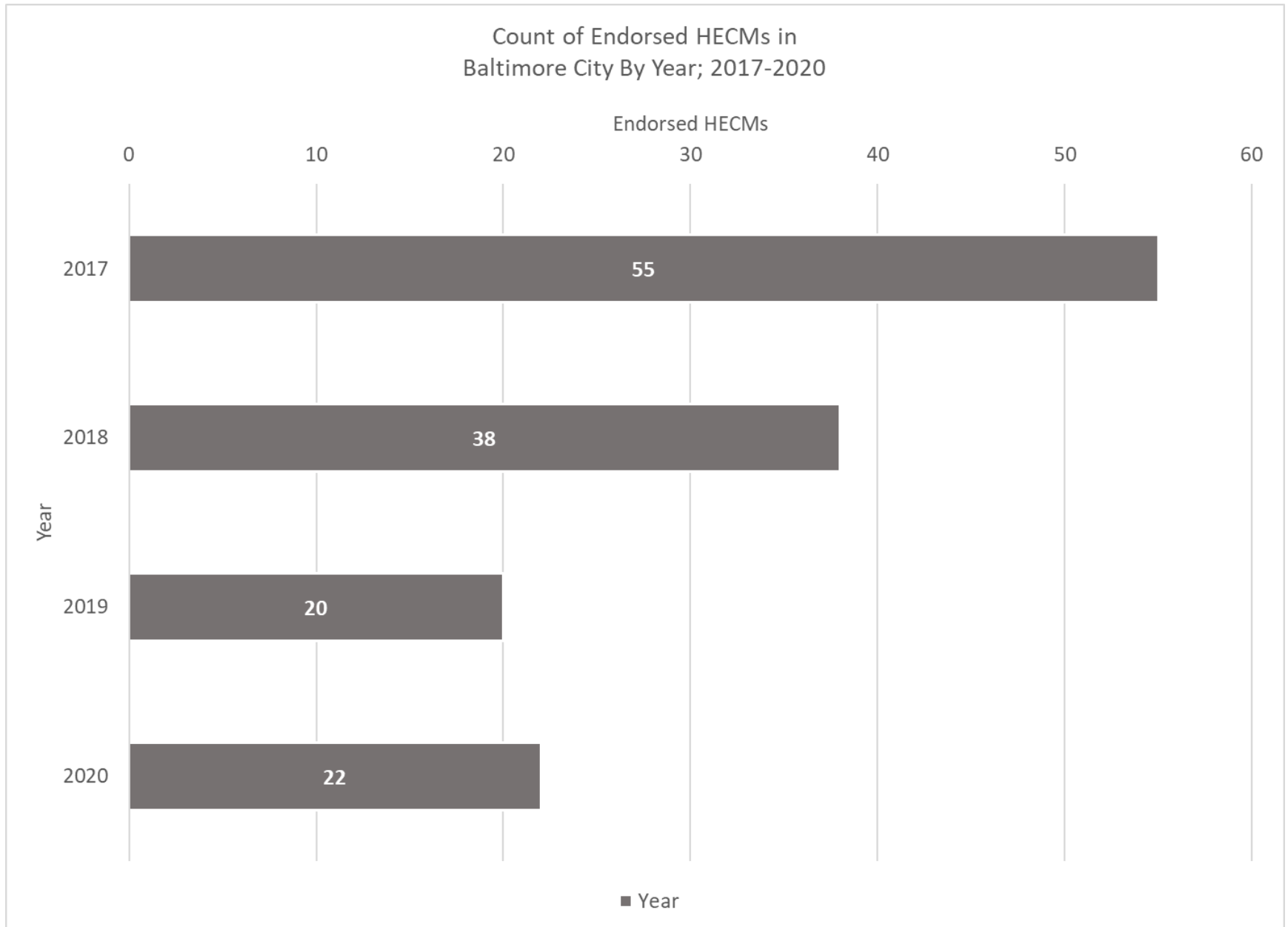


HECM Volume In Baltimore City, 2010-2020

Count of HECMs Endorsed in Baltimore City By Year and Quarter;
2010-2020



HECM Volume In Baltimore City, 2017-2020 (FOIA)



Top 10 HECM Lenders In Baltimore City by Period, 2010-2020

Top 10 Originating Lenders

2010-2011	2012-2014	2015-2017	2018-2020
Net Equity Financial Inc (243)	Net Equity Financial Inc (118)	American Advisors Group (29)	American Advisors Group (25)
Cooper and Shein LLC (222)	MAS Associates (78)	Net Equity Financial Inc (26)	Reverse Mortgage Answers LLC (8)
MAS Associates (163)	1st Maryland Mortgage Corp (58)	Nationwide Equities Corp (15)	M and T Bank (7)
1st Maryland Mortgage Corp (148)	NOT REPORTED (53)	One Reverse Mortgage LLC (14)	Reverse Mortgage Funding LLC (7)
NOT REPORTED (91)	M and T Bank (38)	Reverse Mortgage Corp (14)	One Reverse Mortgage LLC (6)
Bank of America NA Charlotte (59)	One Reverse Mortgage LLC (34)	GSF Mortgage Corp (12)	Bayshore Mortgage Funding LLC (2)
M and T Bank (56)	Maverick Funding Corp (31)	Liberty Home Equity Solutions Inc (11)	Home Mortgage Alliance Corp (2)
Wells Fargo Bank NA (56)	American Advisors Group (30)	M and T Bank (9)	Live Well Financial Inc (2)
Remington Mortgage Inc (29)	Priority Financial Svcs., LLC (13)	Southern Trust Mortgage LLC (6)	Longbridge Financial LLC (2)
Southern Trust Mortgage LLC (24)	Christensen Financial Inc (10)	Elite Funding Corp (5)	Obsidian Financial Services Inc (2)
			Synergy One Lending Inc (2)



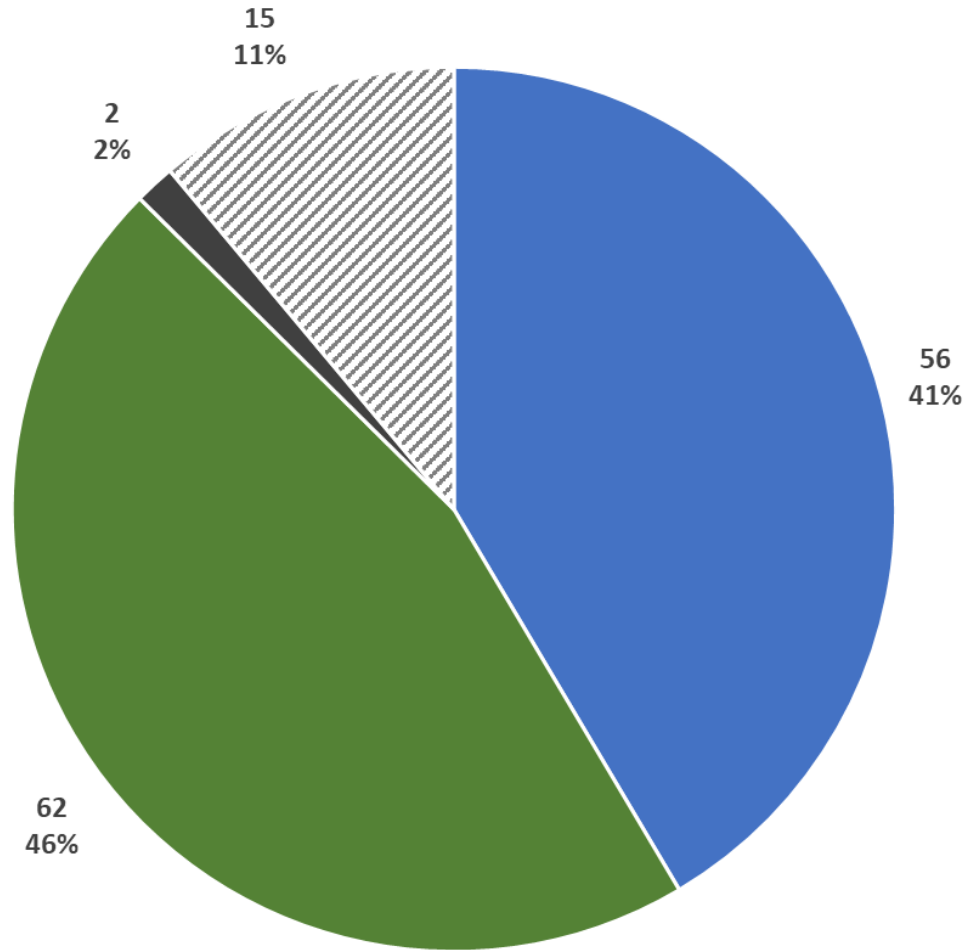
Top 10 HECM Lenders In 75%+ Black/Hispanic Areas In Baltimore City by Period, 2010-2020

Top 10 Originating Lenders in 75%+ Black/Hispanic Areas

2010-2011	2012-2014	2015-2017	2018-2020
Net Equity Financial Inc (165)	Net Equity Financial Inc (67)	American Advisors Group (22)	American Advisors Group (16)
Cooper and Shein LLC (159)	MAS Associates (51)	Net Equity Financial Inc (15)	Reverse Mortgage Answers LLC (5)
MAS Associates (114)	1st Maryland Mortgage Corp (42)	GSF Mortgage Corp (10)	M and T Bank (3)
1st Maryland Mortgage Corp (100)	NOT REPORTED (36)	Reverse Mortgage Corp (10)	One Reverse Mortgage LLC (3)
NOT REPORTED (62)	Maverick Funding Corp (26)	One Reverse Mortgage LLC (7)	Home Mortgage Alliance Corp (2)
Bank of America NA Charlotte (41)	One Reverse Mortgage LLC (20)	Southern Trust Mortgage LLC (5)	<i>All others with 1 mortgage</i>
Wells Fargo Bank NA (34)	M and T Bank (18)	Nationwide Equities Corp (4)	
M and T Bank (29)	American Advisors Group (16)	Odyssey Funding LLC (4)	
Remington Mortgage Inc (24)	Priority Financial Svcs., LLC (10)	All Financial Services LLC (3)	
Southern Trust Mortgage LLC (21)	Christensen Financial Inc (7)	Elite Funding Corp (3)	
		Home Point Financial Corp (3)	
		Liberty Home Equity Solutions Inc (3)	
> 50% & < 70% of Institution's Lending			
>70% of Institution's Lending			

Race-Ethnicity of HECM Borrowers In Baltimore City, 2017-2020 (FOIA)

Race-Ethnicity of HECM Borrowers;
Baltimore City, 2017-2020



Homeowners in Baltimore,
2015-2019 (ACS)

White 42.0%
Black 53.4%
Hispanic 2.4%

■ White ■ Black ■ Hispanic ▨ Not Reported

Principal Limit and Maximum Claim Amount in Baltimore City by Period, 2010-2020

	Median Initial Principal Limit			
	2010-2011	2012-2014	2015-2017	2018-2020
Under 25% WNH	\$ 90,289	\$ 68,460	\$ 68,082	\$ 66,900
25-49.99% WNH	\$ 98,568	\$ 82,040	\$ 93,330	\$ 92,509
50-74.99% WNH	\$ 118,300	\$ 107,394	\$ 120,780	\$ 92,990
75%+ WNH	\$ 109,120	\$ 89,570	\$ 115,290	\$ 87,238

	Median Maximum Claim			
	2010-2011	2012-2014	2015-2017	2018-2020
Under 25% WNH	\$ 138,000	\$ 109,500	\$ 115,500	\$ 126,000
25-49.99% WNH	\$ 155,000	\$ 130,000	\$ 165,000	\$ 159,000
50-74.99% WNH	\$ 180,000	\$ 167,500	\$ 210,000	\$ 170,000
75%+ WNH	\$ 166,000	\$ 150,000	\$ 189,000	\$ 180,500

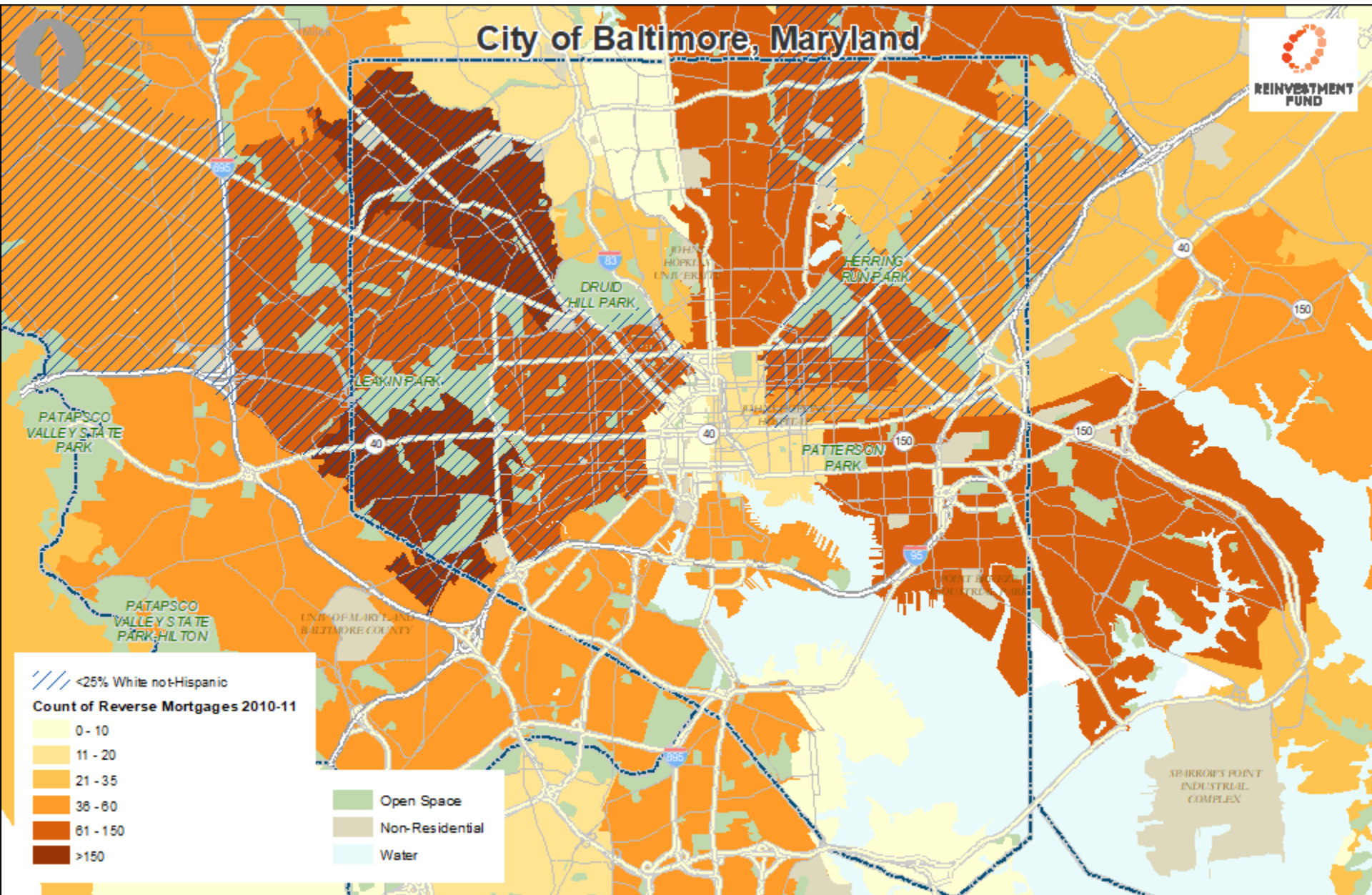
WNH = White, Not Hispanic

Typical Interest Rate by Zip Code In Baltimore City By Racial Composition and Period, 2010-2020

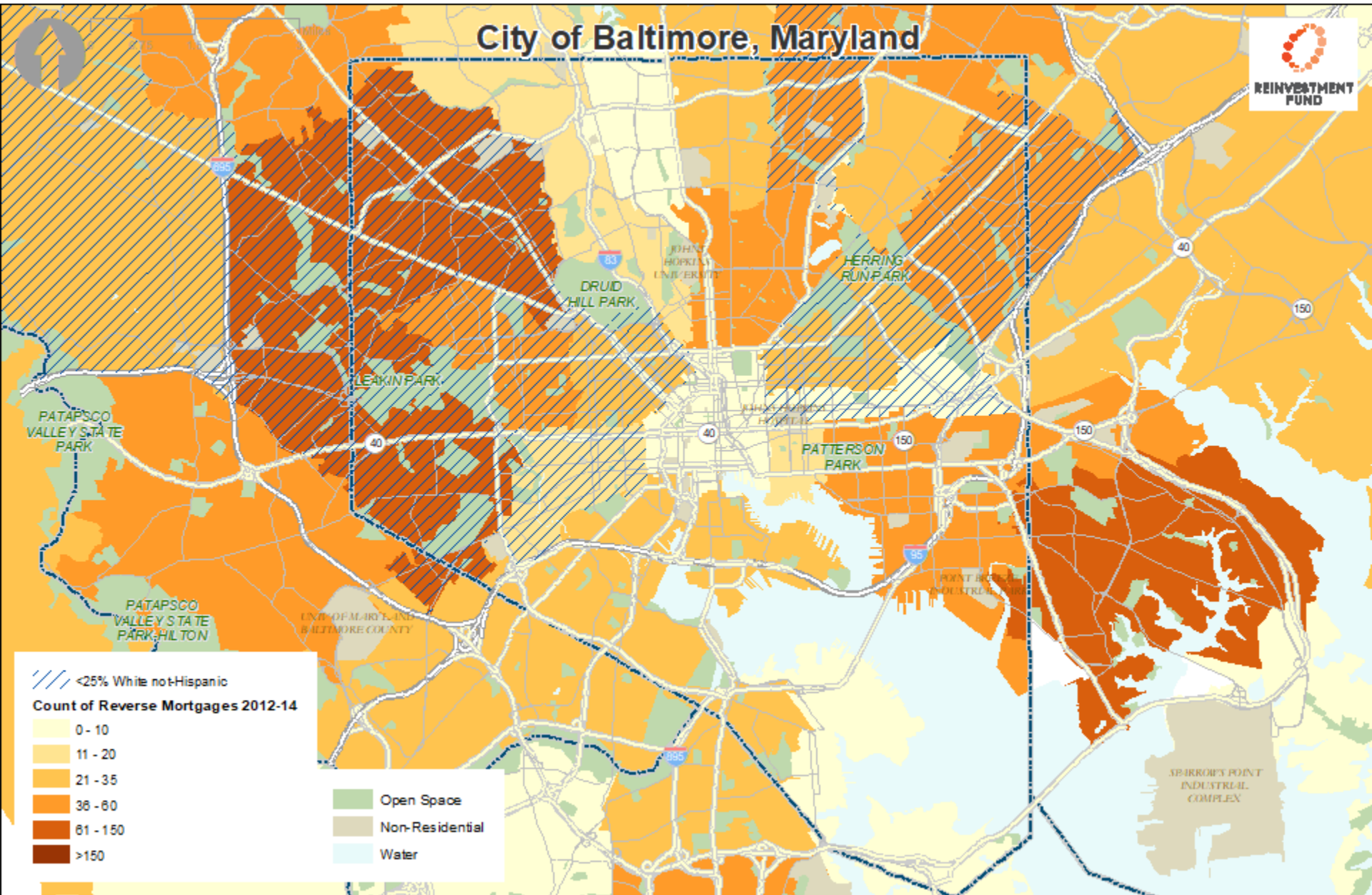
	Median Interest Rate			
	2010-2011	2012-2014	2015-2017	2018-2020
Under 25% WNH	5.56%	5.06%	3.90%	4.46%
25-49.99% WNH	5.56%	5.06%	3.75%	4.49%
50-74.99% WNH	5.53%	5.06%	4.37%	4.98%
75%+ WNH	5.06%	4.99%	3.89%	4.32%

WNH = White, Not Hispanic

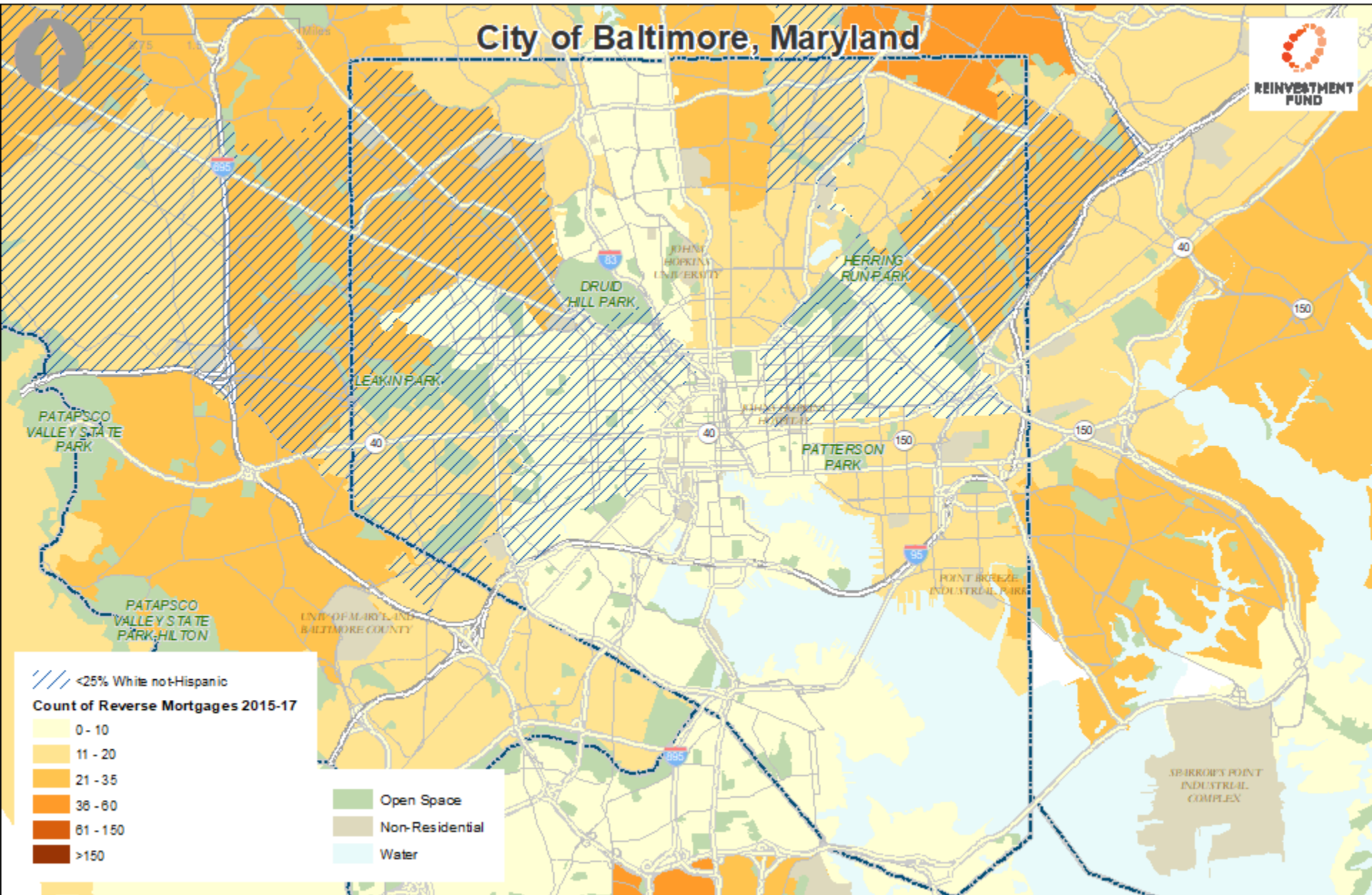
HECM Originations In Baltimore City and Race, 2010-2011



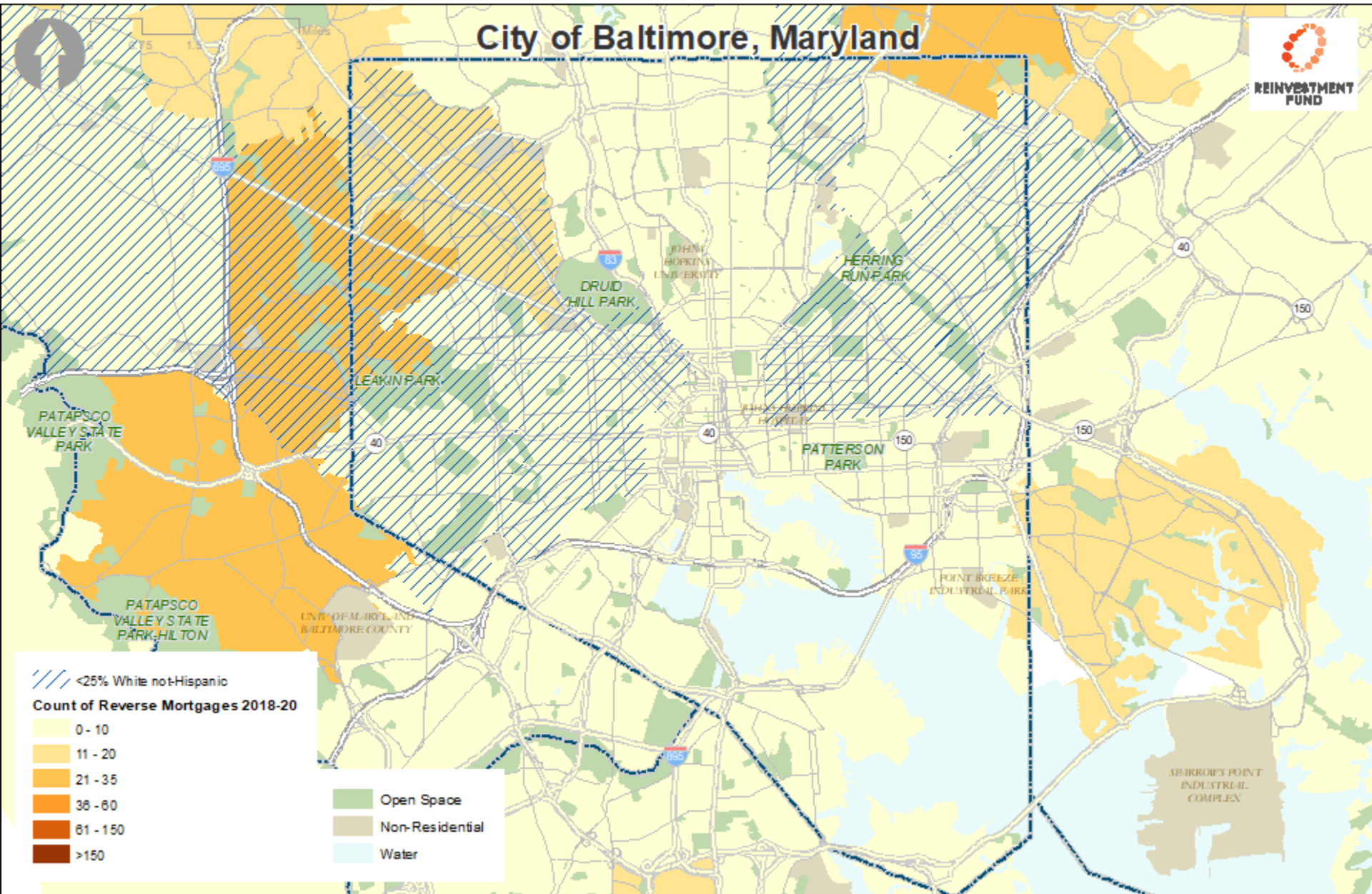
HECM Originations in Baltimore City and Race, 2012-2014



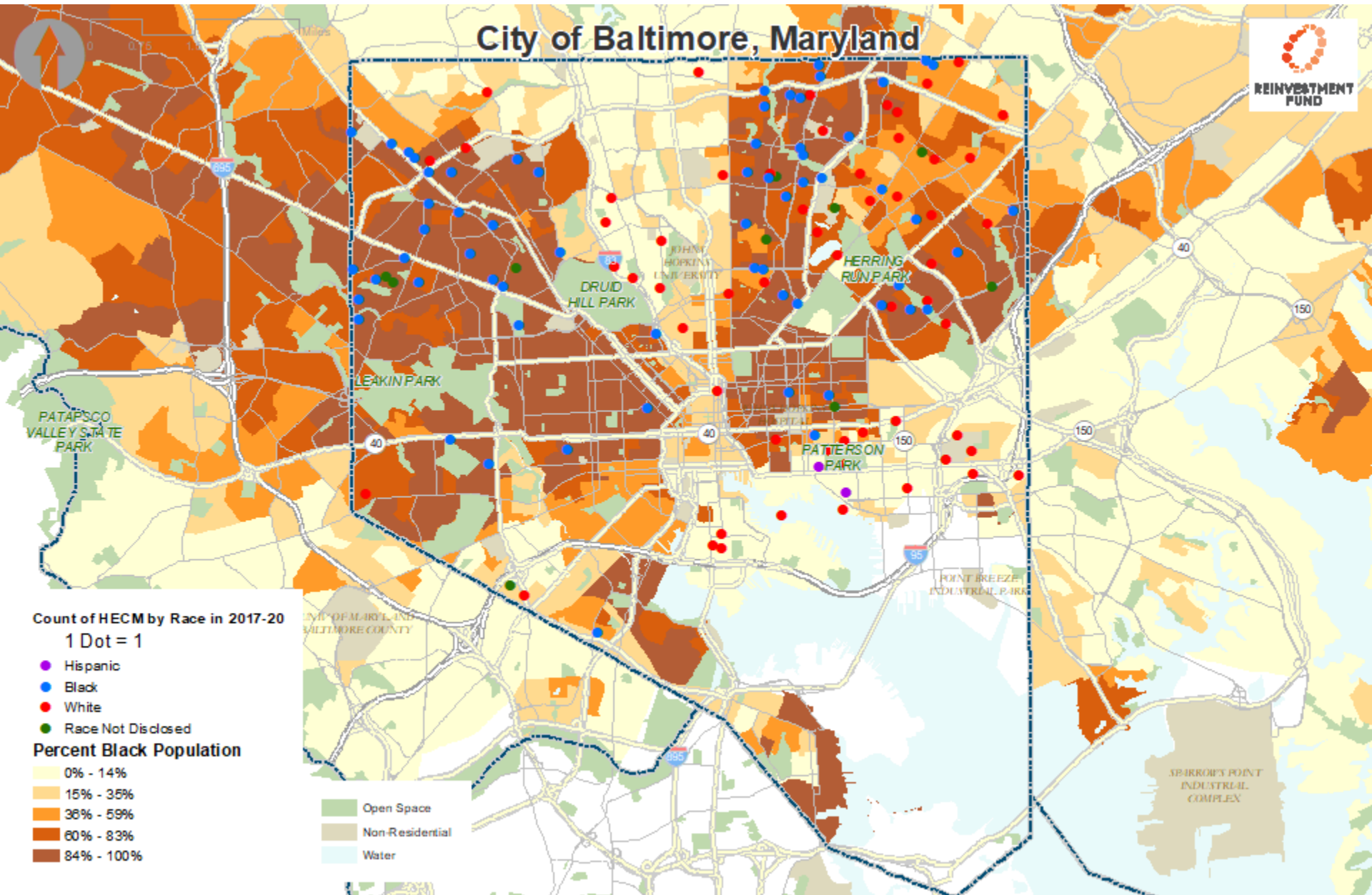
HECM Originations in Baltimore City and Race, 2015-2017



HECM Originations in Baltimore City and Race, 2018-2020



HECM Originations In Baltimore City and Race, 2017-2020



Reinvestment Fund Policy Solutions Team

Ira Goldstein, President, Policy Solutions
Reinvestment Fund

ira.Goldstein@reinvestment.com

Colin Weidig, Senior Policy Analyst

colin.weidig@reinvestment.com

Julia Park, University of Pennsylvania Student Intern

Julia.Park@reinvestment.com

HUD Official Definition of Terms

Initial Principal Limit: The initial principal limit established on the loan at closing. It is the present value of loan proceeds that are available to the borrower.

Maximum Claim Amount: The maximum claim amount insured for each loan.

Originating Mortgagee: Name of the originating lender.

Pervious [sic] Servicer: The previous mortgagee number indicates the last mortgagee number before it was transferred to the current mortgagee number.

Sponsor Name: Mortgagee sponsoring the loan or mortgage for the originator. Sponsor Mortgagee underwrites the loan and decides whether the borrower represents an acceptable credit risk for HUD.

Sponsored Originator: Name of the sponsored originator (may be either non-FHA approved or FHA-approved) that is originating loans for FHA-approved sponsoring lenders.

